

Policies to tackle over-indebtedness

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Wide variation in extent to which over-indebtedness is recognised and debated

- Wide-ranging debate and policy responses, following 1990s recession
- Some policy interest, but no major legal reform and few measures to prevent over-indebtedness
- Only just beginning to recognise the issue

Six key building blocks for a comprehensive policy response to over-indebtedness

Preventing over-indebtedness

- Responsible lending
- Responsible borrowing and money management
- Responsible arrears management

Alleviating over-indebtedness and rehabilitating

- Debt advice services
- Non-judicial (amicable) processes
- Holistic judicial processes

Responsible lending

- All countries had transposed EC directives
- Only a minority had legislation on checking affordability
- Monitoring compliance and sanctions important but variable
- Credit reporting underpins responsible lending
- Other responses include:
 - Interest rate ceilings
 - Affordable credit, and
 - Tackling illegal lending

Responsible borrowing and money management

- Provision highly variable across countries
- Initiatives to develop skills among:
 - Young people still in school
 - The adult population
 - Those in difficulties, to prevent further problems

Responsible arrears management and debt recovery

- Creditors can help to prevent over-indebtedness by:
 - Arrears avoidance
 - Appropriate arrears management
 - Sensitive debt recovery
- Again provision highly variable across countries
- Best practice:
 - Enforceable provision with compliance monitored
 - Protection of dignity and minimum living standards

Debt advice services

- Common, but better-developed in some countries than others
- Free-of-charge by third sector or public bodies
- Primary focus is resolution of financial difficulties
 - Some preventative work
 - Access to ancillary services
- Under-funding is a widespread problem
- Quality is variable
 - Quality assurance important, but not universal

Non-judicial procedures for debt settlement

- A successful alternative to the courts
- Advantages over judicial procedures
 - Less costly
 - Can avoid adverse credit record from court judgement
- Best practice
 - Unrestricted access for most debtors
 - In-built incentives for creditors
 - Realistic payment levels and time limit on repayments
 - Link to preventative measures for rehabilitation
 - Under-pinned by referral to judge if needed



Judicial processes

- Holistic judicial debt settlement in many countries
- Best practice:
 - Link to non-judicial procedure is important
 - Unrestricted access for most debtors
 - Compulsion on lenders to participate
 - Realistic payment levels , min income guaranteed
 - Oversight of payments
 - Time limit on repayment schedule/debt write off
 - Link to money advice for rehabilitation

In conclusion

- Both policy debates and responses vary widely
- Still much to be done in all countries
 - Preventative policies much less developed
 - Need overall policies for tackling over-indebtedness
- France is up with the leaders in most areas
- Particular strengths are:
 - Active debate on policy
 - Non-judicial and judicial procedures

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